CANADA

National Energy Board

Reasons for Decision

In the Matter of

Pan-Alberta Gas Ltd.

Application Pursuant to Section 17 of the National Energy Board Act for a Change, Alteration or Variation to Natural Gas Export Licence GL-96

GH-1-88

June 1988

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Recital and Appearances

IN THE MATTER OF the National Energy Board Act and the Regulations made thereunder; and

IN THE MATTER OF an Application dated 21 May 1987, as amended, by Pan-Alberta Gas Ltd. for approval of a change, alteration or variation to Natural Gas Export Licence GL-96, filed with the Board under File No. 1537-P23-9:

IN THE MATTER OF Hearing Order No. GH-1-88 issued by the National Energy Board.

HEARD in Calgary, Alberta on 22, 23 and 24 March 1988.

BEFORE:

L.M. Thur	Presiding Member
R.B. Horner, Q.C.	Member
A.B. Gilmour	Member

APPEARANCES:

F.R. Foran, Q.C.	Pan-Alberta Gas Ltd.
A.L. McLarty	Canadian Petroleum Association
A.S. Hollingworth	Independent Petroleum Association of Canada
A.A. Fradsham	Alberta and Southern Gas Co. Ltd.
L.E. Smith	Boundary Gas, Inc.
J.H. Farrell	The Consumers' Gas Company Ltd.
J. Lutes	Foothills Pipe Lines (Yukon) Ltd.
M.M. Peterson	Gaz Métropolitain, inc.
G.S. Thoms	Gulf Canada Resources Limited
J.H. Smellie	ICG Utilities (Ontario) Ltd.
C.R. Rich	Northwest Alaskan Pipeline Company
W.M. Smith D. Huard	Pacific Interstate Transmission Company
W.J. Hope-Ross B. Woods	Petro-Canada Inc.
K.J. MacDonald	ProGas Limited
P.M. Leier	PSR Gas Ventures Inc.
E.S. Decter	Shell Canada Limited

W.M. Smith D. Huard	Southern California Gas Company
N.J. Schultz	Tennessee Gas Pipeline Company and Midwestern Gas Transmission Company
G. Pratte	Union Gas Limited
E.B. McDougall	Washington Natural Gas Company
A.R. Androsoff	Westcoast Transmission Company Limited
D. McLean	Western Gas Marketing Limited
S. McAllister	Alberta Petroleum Marketing Commission
P.D. Morris	Minister of Energy for Ontario
J. Giroux	Procureur général du Québec
R. Graw D. Bursey	National Energy Board

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Chapter 1
The Application

By its application dated 21 May 1987, as amended, Pan-Alberta Gas Ltd. (Pan-Alberta, the Applicant) sought National Energy Board (Board) approval, pursuant to Section 17 of the National Energy Board Act (the Act), to amend natural gas export Licence GL-96 in the following manner:

(i) to extend the term by 16 years from 31 October 1996 to 31 October 2012;[1]

(ii) to increase the term quantity of the licence by 45.6 billion cubic metres to 73.6 billion cubic metres; and

(iii) to amend the existing daily and annual authorization levels for the 2 years 1994-95 and 1995-96 in order to remove the step-down[2] in these levels.

The gas proposed for export would continue to be transported through the western leg of the Phase I portion of the Alaska Natural Gas Transportation System (the prebuild) and would be exported at Kingsgate, British Columbia and sold to Northwest Alaskan Pipeline Company (Northwest Alaskan). Northwest Alaskan would in turn sell the gas to Pacific Interstate Transmission Company (PIT) for delivery to Southern California Gas Company (SoCal).

1 In testimony given by Pan-Alberta, the Applicant recognized that its proposed extension of 16 years could exceed the 25-year duration for export licences specified in Section 85(b) of the Act. Accordingly, Pan-Alberta indicated that it was willing to accept a new licence for the extended period.

2 The step-down in the licence provides for a reduction in the daily and annual export authorization levels for the licence years 1994-95 and 1995-96, by 33 percent and 66 percent respectively.

Chapter 2

Reasons for Decision

In the hearing of Pan-Alberta's application, the Board, for the first time, used its Market-Based Procedure established in the July 1987 Reasons for Decision In the Matter of *Review of Natural Gas Surplus Determination Procedures.*

2.1 Market-Based Procedure

In the public hearing process the Board considers the following: complaints, if any, under the complaints procedure; an export impact assessment filed by the applicant; and other factors relating to the public interest including, inter alia, gas reserves, productive capacity, pipeline facilities, markets and net benefits to Canada.

2.1.1 Complaints Procedure

The Board's July 1987 Decision established a complaints mechanism whereby a Canadian gas user could use the public hearing process to make known its objections to a proposed export on the grounds that it could not obtain additional supplies of gas under contract on terms and conditions, including price, similar to those in the export proposal. Intervenors objecting to a proposal on these grounds would file evidence to support their case. If, after completion of the public hearing, there were no outstanding complaints which the Board found to be valid, the Board might conclude, subject to other considerations, that the Canadian market was adequately supplied.

If, on the other hand, outstanding valid complaints of Canadian gas users had not been resolved, the Board might either deny the application or defer issuing a final decision on it until a further opportunity had been given for the situation to be rectified.

In setting down the Pan-Alberta application for hearing, the Board, in paragraph 3 of its Hearing Order No. GH-1-88, reminded interested parties of the existence of a complaints procedure. No party to these proceedings filed a complaint although during the hearing there was discussion of the complaints mechanism.

Three eastern local distribution companies (LDCs), The Consumers' Gas Company Ltd., Gaz Métropolitain, inc. and ICG Utilities (Ontario) Ltd., argued that the complaints procedure was not an effective way for them to object to this export proposal. These intervenors explained that the proposed export was not scheduled to commence until 1996 and that their existing gas sales contracts would not expire until the mid-1990s. As a consequence they had not yet begun negotiations for their supply requirements beyond the expiry date of their current contracts and could not at this time determine whether a complaint might be necessary. The LDCs were concerned that should there be cause for complaint before the mid-1990s, they would have already missed the opportunity to complain and there would be no effective way of making their concerns known. Although Union Gas Limited suggested deferring the decision until June 1988 to allow additional time for complaints, no intervenor opposed the application and several supported it.

In response to this concern, Pan-Alberta stated that it had tried to sell its gas to eastern LDCs but had been unsuccessful because these companies were unwilling to enter into long-term contracts now for supplies beyond the mid-1990s.

In the Board's view the complaints procedure is intended to serve as an indicator as to whether Canadians can purchase gas on the same terms and conditions as an export customer. In this respect the onus is on Canadian gas users to make their views known to the Board in a public forum.

Pan-Alberta's ultimate United States buyer, SoCal, is seeking long-term supply and has signed contracts to meet its needs. SoCal is attempting to sign contracts now to supply its requirements starting in 1996. In the Board's view there is no reason in principle why Canadian buyers cannot do likewise, and the fact that they have chosen not to do so is not a valid reason to consider deferring the Board's deci-

sion in this matter, nor is it sufficient reason to deny the export. Moreover, the Board's July 1987 Decision clearly states that the market is to be allowed to work and under this premise it is up to Canadian buyers to determine their negotiating strategy in the light of available information on other demands for Canadian gas supply.

In addressing the requirements of the Market-Based Procedure, the Province of Quebec suggested that the Board establish guidelines to apply to applications under the new procedures. Other intervenors held that the establishment of generic rules could prove to be restrictive and unresponsive to changing circumstances and that each application should be considered on its own merits.

The Board agrees that establishing generic rules to apply to the complaints procedure could cause unnecessary problems. The Board will continue to rely on the guidelines it set forth in its July 1987 Decision and will review any complaints in the context of circumstances prevailing at the time an export application is heard.

2.1.2 Export Impact Assessment

The Export Impact Assessment (EIA) helps the Board to determine whether a proposed export is likely to cause Canadians difficulty in meeting their energy requirements at fair market prices. The Applicant is required to assess the ability of Canadian natural gas producers to meet Canadian and export requirements for gas; the impact of the proposed export on domestic natural gas prices; and the ability of Canadian consumers to adjust, if necessary, their energy consumption without substantial difficulty.

The burden of proof is on the Applicant to demonstrate to the Board that the proposed export will not likely lead to any major difficulty for domestic consumers in meeting their energy requirements at prevailing market prices.

Pan-Alberta submitted, as part of its export licence application, an EIA which addressed the issues set out in the July 1987 Decision. To account for uncertainty, the impact of the applied-for export volumes on reserves additions and gas production was examined under three price scenarios. Pan-Alberta concluded that the volumes to be exported were relatively small and that the net impact of the exports on Canada's gas reserves position was likely to be small. The Applicant submitted that increased exploration and development activity would lead to incremental additions to reserves amounting to between 60 and 100 percent of the applied-for export volumes.

Pan-Alberta argued that while natural gas prices would be determined by factors in end-use markets, such as the prices of competing fuels and supply costs, the incremental export volumes were not large enough to have any appreciable impact on supply costs, as higher cost reserves would not be required to any significant degree to meet additional demand. Pan-Alberta submitted that there would be little need for Canadian gas consumers to adjust their consumption patterns as a result of this proposed export sale since there would not likely be any appreciable impact on gas prices to Canadian consumers.

Intervenors questioned the Applicant on the assumptions used in the EIA, but did not challenge the conclusions reached by the Applicant's submission.

The Board concurs with the overall conclusion of Pan-Alberta that the proposed export volume is small in relation to the expected domestic and export requirements for natural gas, and that even under pessimistic assumptions concerning reserves additions or market conditions, the volumes will have little impact on overall production, on natural gas prices and on Canadian consumption patterns. The Board finds it unlikely that the proposed export will cause Canadians difficulty in meeting their energy requirements at fair market prices.

2.1.3 Public Interest Determination

As part of its Market-Based Procedure, the Board examines other factors that it considers to be relevant to determine whether a proposed export is in the Canadian public interest.

2.1.3.1 Gas Supply

Pan-Alberta provided estimates of the established reserves under contract which it would use to meet its existing commitments and the proposed export. The Board has analyzed the Applicant's contracted supply and has prepared its own estimate of the Applicant's remaining gas reserves under contract. The comparison of these estimates is presented in Table 1. Also shown is Pan-Alberta's forecast of total demand to which it is committed under its contracts, which includes domestic demand, authorized and proposed exports, and a fuel gas allowance.

Table 1

Comparison of Estimates of Supply Available to Pan-Alberta with Pan-Alberta's Estimate of its Demand Requirements
(10^9m^3)

Estimates of Supply Available to Pan-Alberta[1]	
Pan-Alberta	230.5
NEB	158.3
Estimate of Pan-Alberta's Demand[2]	
Pan-Alberta	154.8

1 Remaining established reserves under contract at 31 December 1986.
2 Pan-Alberta's domestic demand plus authorized and proposed exports.

The Board's estimate of reserves is substantially lower than the Applicant's estimate because of differences in the interpretation of pool area, net pay and recovery factor, and because of the methodology used in the reserves calculation for some specific pools. The Board notes, however, that its estimate of reserves under contract to the Applicant marginally exceeds Pan-Alberta's estimate of its requirements under contract with domestic and export customers.

Productive capacity is the rate at which the established reserves can be produced. The Board's estimate of Pan-Alberta's productive capacity was derived on a pool by pool basis.

The Board's projection of productive capacity associated with Pan-Alberta's reserves presently under contract suggests that it will be insufficient to meet demand beginning in 2005 with a possible minor deficiency earlier. Pan-Alberta's assessment, using analytical techniques similar to those of the Board, indicates adequate productive capacity throughout the term of the proposed licence extension. This difference in outlook is attributable to the discrepancy between the estimates of reserves under contract to Pan-Alberta as shown in Table 1 above.

Pan-Alberta stated that, if productive capacity associated with its presently contracted reserves were inadequate to meet its commitments, it would seek additional gas first from its existing suppliers; then, if necessary, it would make use of "best efforts" arrangements with other pipeline suppliers.

The Board is of the view that the shortfall in productive capacity which it estimates may occur in the later stages of the proposed licence term is sufficiently far into the future to allow for corrective action in the form of increased exploration and development activity by industry with consequential purchasing opportunities for Pan-Alberta.

2.1.3.2 Gas Purchase Contracts

The Applicant stated that its gas supply contracts were being renegotiated to extend the term of the contracts to correspond to the proposed term of Licence GL-96 and that this would ensure that reserves were available to the Applicant for the full term of the applied-for licence extension.

Pan-Alberta stated it had approximately 1200 gas purchase contracts with over 420 producers and that its gas supply was being acquired under two purchasing programs. The initial purchasing program (Pool I), which Pan-Alberta estimates to represent 11 percent of its existing deliverability, has a contract expiry date of 31 October 2002. When these contracts expire, Pool I gas will have been under production for some 30 years and the Applicant testified that it would purchase any gas remaining at that time.

The gas supply acquired under the second purchasing program (Pool II) has initial contract expiry dates as early as 31 October 1995, evergreened annually thereafter until terminated by either party on one year's notice. Pan-Alberta stated that it had signed or reached agreement in principle with the vast majority of its producers to extend the term of those contracts until 31 October 2012. The Applicant expected its Pool II gas would be fully contracted for the new term by the end of the second quarter of 1988.

Pan-Alberta testified that take-or-pay obligations had been removed from the gas purchase contracts and replaced with provisions allowing producers, on one year's notice, to de-contract their supply if Pan-Alberta does not meet minimum performance levels. The contracts also provide that Pan-Alberta will not purchase new gas supplies from other parties until pro rata take levels with its existing suppliers reach a certain level.

2.1.3.3 Energy Removal Permits

Pan-Alberta has received provincial approval to consolidate removal permits PA 85-1 and PA 85-2 into GR 87-236. The Applicant estimated that its existing removal permit, which expires 31 October 1997, allows for removal of approximately 150.0 billion cubic metres of gas. A decision by the Alberta Energy Resources Conservation Board (AERCB) on Pan-Alberta's application to increase the volume and term of the consolidated removal permit is pending.

The Board recognizes that Pan-Alberta's existing provincial removal permits fall short of its overall requirements including the proposed exports. However, even leaving aside the application now under consideration by the AERCB, the Board is satisfied that Pan-Alberta does have available to it provincial authorization for the initial years of the proposed export.

2.1.3.4 Pipeline Facilities

Gas to be exported would be transported in Alberta by NOVA Corporation of Alberta (NOVA) for delivery at James River, Alberta to the Foothills (Alta.) pipeline which in turn delivers the gas to the Foothills (South B.C.) pipeline for transportation to the international boundary at Kingsgate, British Columbia. The Foothills systems constitute the western leg of the prebuild and serve export markets exclusively. No additional facilities would be necessary on either NOVA or Foothills to carry the proposed export quantities.

Pan-Alberta provided letters of intent for transportation service on both the NOVA and Foothills pipeline systems.

In the United States, the gas would be transported through the Western Delivery System of the Alaska Natural Gas Transportation System. From Kingsgate the gas is shipped by PIT through Pacific Gas Transmission's (PGT) system to Stanfield, Oregon for delivery to Northwest Pipeline Corporation (Northwest). Northwest transports the gas from Stanfield to Ignacio, Colorado at which point Northwest delivers equivalent quantities to El Paso Natural Gas Company (El Paso) for transportation to an existing interconnection with SoCal at the Arizona/California border. It is at this point that PIT sells the gas to SoCal. No new pipeline facilities would be needed to move the proposed export quantities.

2.1.3.5 Markets

Pan-Alberta filed evidence in support of its position that the demographic, regulatory and competitive aspects of the Southern California market warranted the extension of export Licence GL-96 to 31 October 2012.

Gas exported by Pan-Alberta pursuant to GL-96 is destined for the market of SoCal which is the largest distributor of gas in the United States, serving over 4 million residential customers, nearly 190,000 commercial customers and approximately 30,000 industrial and wholesale customers in its franchise area which includes the 12 southernmost counties in California. SoCal's wholesale customers are San Diego Gas and Electric Company and the City of Long Beach.

Witnesses on behalf of Pan-Alberta described how the California Public Utilities Commission (CPUC) had developed a new regulatory structure for gas utilities and how, effective 1 May 1988, the California gas market would be segmented into core and non-core classes. The core market consists primarily of high priority residential, commercial and small industrial customers while the non-core market consists of large industrial and electric power generation customers. Core customers will receive traditional bundled utility service while non-core customers will be able to choose among unbundled utility options which will include gas procurement, transmission and limited storage services. As of 1 May 1988, about 95 percent of SoCal's core market will purchase gas directly from the distributor.

Pan-Alberta stated that the CPUC had identified the three major objectives for core procurement as being certainty of supply, price stability and gas cost minimization. The Applicant argued that, because of the nature of the core portfolio and future uncertainties associated with purchasing gas on the spot market, SoCal had identified security of supply as a paramount objective in procuring gas for its core market. Consequently, Pan-Alberta said that both SoCal and PIT were currently attempting to secure firm supplies backed by dedicated gas reserves and firm transportation arrangements to the year 2012.

Given these and other regulatory and market factors, Pan-Alberta considered that a window of opportunity existed now for future sales into this market area. SoCal witnesses stated that if they were unable to procure long-term Canadian supplies now,

they would be forced to negotiate with other United States suppliers.

The pricing conditions in the existing contract, which will also be used for the proposed export, provide for a demand and commodity price structure with the commodity cost being flexible to respond to changing market conditions. Pan-Alberta noted that its producers supported these contractual conditions.

Pan-Alberta also stated that the extension of Licence GL-96 would postpone the triggering of the depreciation basket clause on the Foothills portion of the prebuild which would otherwise come into effect on 31 October 1992. Absent this extension, the existing depreciation rate of 4 percent would increase to approximately 15 percent resulting in increased transportation rates. Pan-Alberta went on to explain that, in fact, the basket clause trigger-date would more than likely be advanced to 31 October 1990 if the extension were not approved. This is due to the fact that under the current rate of take for Licence GL-96[1] the term volume will likely run out some time in 1994 and, without the extension, Pan-Alberta would be forced to apply to the Board for an advancement of the trigger-date.

The Board concurs with Pan-Alberta's view that there is currently a window of opportunity for Pan-Alberta to secure its position as a long-term supplier to SoCal's core market portfolio during the period to 2012. The Board also accepts that the extension of the existing contractual terms and conditions to 2012 is supported by Pan-Alberta's producers. Pan-Alberta's contract for sale to Northwest Alaskan for ultimate resale to SoCal has, in the past, offered these producers a high rate of take relative to most other gas sales contracts. Also, the Board agrees that the extension of Licence GL-96 will provide for more favourable depreciation rates for both Foothills and PIT. This would in turn provide for more competitive gas prices for SoCal's core market and higher netbacks to Pan-Alberta's producers.

2.1.3.6 Cost Benefit Analysis

The Applicant submitted a social cost-benefit analysis of the proposed additional gas export sales. The study was meant to evaluate the economic desirability of the export project from the perspective of Canada as a whole.

Table 2 shows the results submitted by Pan-Alberta of the cost-benefit analysis performed using a real

1 By a licence amendment effective 27 February 1986, Pan-Alberta was authorized to export up to 1 700 thousand cubic metres (60 MMcf) per day in excess of the previously authorized daily level.

Table 2

Cost-Benefit Analysis of the Pan-Alberta Application From a Canadian Perspective: 8% Discount Rate
(in millions of 1986 dollars; discounted to 1987)

	Low Case	Base Case	High Case
Benefits			
Gas Exports	959.5	1246.9	1690.7
Sales of By-Products	239.9	311.7	422.7
Total	1199.4	1558.6	2113.4
Costs			
Production Costs	372.6	372.6	372.6
Transmission Costs	36.3	41.9	50.5
User Cost	605.1	574.0	525.9
Total	**1014.0**	**988.5**	**949.0**
NET SOCIAL BENEFIT	**185.4**	**570.1**	**1164.4**

discount rate of 8 percent. The low and high gas price cases presented are consistent with the 'Low Price Case' and 'High Price Case' in the Board's October 1986 Report entitled *Canadian Energy Supply and Demand, 1985-2005*. Pan-Alberta's base case, which was derived from forecasts contained in the *1986 California Gas Report*, assumed gas export prices rising from \$2.25/GJ (1986\$) in 1995 and levelling out at \$2.93/GJ in the year 2005. This price track lies between the Board's (1986) high and low price projections. For all cases the gross revenue from gas by-products was calculated as 25 percent of the value of gas production associated with the exports. As noted, no capital additions to the transmission facilities are required for the proposed export volumes.

A sensitivity test performed using a 10 percent real discount rate yielded net social benefits of \$169 million, \$451 million and \$913 million (1986\$ discounted to 1987) for the low, base and high cases, respectively. If export volumes were less than anticipated, both gross costs and gross benefits would decrease in roughly the same proportion, insofar as a very high proportion of costs varies with these values.

The Applicant argued that the significant net benefits the proposed export is projected to yield demonstrates that it is in the economic interest of Canada.

No intervenors disputed the reasonableness of the results of the cost-benefit analysis submitted by the Applicant and none argued that the proposed export would not yield net economic benefits to Canada.

The Board notes that these results implicitly assume that without this project, there is no alternative use for the gas other than later domestic consumption (the value of which is reflected in the "user cost"). To the extent that other alternative uses for the gas did exist and had positive net present value, the appropriate net present value of the Pan-Alberta proposal would have to be reduced accordingly.

The Board recognizes that there is a risk that conditions may turn out to be less favourable than those assumed in the analysis. However, in light of the market-driven pricing terms governing the proposed export and the fact that no new transmission facilities are required to effect the exports, the Board is satisfied that the project is likely to yield substantial economic benefits to Canada.

Chapter 3
Disposition

The Board has decided to grant Pan-Alberta's application and to recommend the issuance of the necessary gas export licence. Although the application did not request a new licence, Pan-Alberta recognized that a 16-year extension of Licence GL-96 would exceed the 25-year duration for export licences specified in Section 85(b) of the Act, and under these circumstances Pan-Alberta would therefore be willing to accept a new licence. Further, Licence GL-96 currently includes a step-down in the daily and annual authorizations for the two licence years 1994-95 and 1995-96 and Pan-Alberta requested that the licence be amended to remove the step-down and replace it with the maximum levels applicable to the other years under the licence.

Rather than amend and extend the existing licence and then issue a new licence to the end of the proposed term, the Board has decided to revoke Licence GL-96 effective 31 October 1988 and to issue a new licence for the period 1 November 1988 to 31 October 2012. The new licence will embody the terms and conditions requested by Pan-Alberta with respect to maximum daily and annual authorizations, term quantities and licence terms. Appendix I contains the terms and conditions of the new licence.

The Board notes that, to implement the decision, approval of the new licence is required by the Governor in Council.

The Board's decision took into account a number of issues related to the application. Of note was the use for the first time of the Board's Market-Based Procedure for the assessment of gas export licence applications. Although this procedure allowed for Canadian natural gas users to object to the export proposal, no complaints were received and there was virtually no opposition to the Applicant's filing. Pan-Alberta filed an Export Impact Assessment which concluded that given the relative size of the proposed export volume its potential impact on total production, gas prices and on Canadian consumption patterns would be minor.

Pan-Alberta also filed a cost-benefit analysis which showed that the proposed export was likely to result in significant economic benefits to Canada. As well, the Applicant demonstrated that its past sales to the United States market have been at a high load factor resulting in an attractive netback to Alberta producers and that this would likely continue during the extended period of the proposed export. In addition, Pan-Alberta indicated that, if approved, the extended licence period would allow for more favourable transportation rates in Canada and the United States due to the postponement of the trigger date of the depreciation basket clause.

The Board is of the view that the new licence will ensure continued high load factor sales into what has proven to be a reliable export market for Canadian gas. The Board agrees that the new Pan-Alberta licence will benefit shippers on the prebuild by allowing for the deferral of the depreciation basket clause trigger date thereby reducing the need for an increase in transportation rates. With respect to the issue of the adequacy of productive capacity associated with Pan-Alberta's contracted reserves during the later years of the project, the Board accepts the Applicant's assessment of how it would handle that situation if it did occur.

The Board's conclusion stemming from its assessment of these and other issues reviewed at the hearing is that issuance of an export licence to Pan-Alberta in the form requested is in the Canadian public interest.

L.M. Thur
Presiding Member

R.B. Horner, Q.C.
Member

A.B. Gilmour
Member

Ottawa, Canada
June 1988

Appendix I

Terms and Conditions of the Licence to be Issued to Pan-Alberta

1. The term of this Licence shall be from 1 November 1988, to 31 October 2012.

2. The quantity of gas that may be exported under the authority of this Licence shall not exceed:

   (a) for the period commencing 1 November 1988 and ending 31 October 2012, 7 478 600 cubic metres in any one day;

   (b) 2 488 300 000 cubic metres in any consecutive twelve-month period ending on 31 October; or

   (c) 59 719 200 000 cubic metres during the term of this Licence.

3. As a tolerance, the amount the Licensee may export in any 24-hour period under this Licence may exceed the daily limitations imposed in condition 2 by two percent of such amounts.

4. Gas to be exported under the authority of this Licence shall be delivered to the point of export near Kingsgate, British Columbia.